GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2780
ANSWERED ON:17.12.2008
CONTROLLING THE SUPPLY OF MONEY
Sarvey Shri Sathyanarayana

Will the Minister of FINANCE be pleased to state:

(a)Whether the Government is controlling the supply of money to bring down the rates of essential commodities and inflation in the country;

(b)if so, the details thereof; and

(c)if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a),(b)&(c):While fiscal and administrative measures are taken by the Government, monetary measures are initiated by the Reserve Bank of India (RBI) which in tandem facilitate growth and contain inflation. During periods of high inflation, the RBI regulates money supply in order to control inflation and vice-versa. During the current financial year, when inflation was in double digit, steps were taken by the RBI to curtail money supply by increasing the Cash Reserve Ratio (CRR) and the Repo rate. With inflation coming down from its peak level of August 2008 and in the wake of global financial crisis, contra measures were announced by the RBI, to expand money supply, by reducing the CRR, Repo and Reverse repo rates and the Statutory Liquidity Ratio (SLR).

A table on the movement of these rates is given below :

Revision in Policy Rates

Sl. No.	Date	Repo Rate	Reverse Repo Rate	CRR	SLR
As on					
1.	August30,2008	9.0	6.0	9.0	25.0
2	October 11,2008	9.0	6.0	6.5	25.0
3.	October 20,2008	8.0	6.0	6.5	25.0
4.	October 25,2008	8.0	6.0	6.0	25.0
5.	November 3,2008	7.5	6.0	6.0	25.0
6.	November 8,2008	7.5	6.0	5.5	24.0
7	December 6,2008	6.5	5.0	5.5	24.0

Note:

Figures underlined indicate the change effected by RBI

CRR: Cash Reserve Ratio

SLR: Statutory Liquidity Ratio